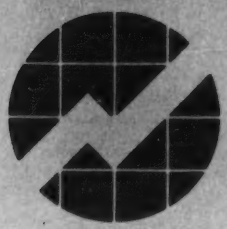

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KEDI ECONOMIC SURVEY

November 1991

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SOURCES:

The U. S. Department of Commerce, first estimates of 1991:3, National Income and Product data.

Board of Governors of the Federal Reserve System release of the Index of Industrial Production, October 1991.

The latest available data on prices, employment, industrial and financial developments.

0.00 INTRODUCTION

0.01 EXECUTIVE SUMMARY

HIGHLIGHTS

Real Growth

In 1991:3, real GNP increased at an annual rate of 2.4%, or $24.2 bil., according to 1st estimate of U.S. Dept of Commerce.

Prices

In October, Consumer prices advanced by .1%. The rest of this year and 1992 look for marginal increases only.

Employment & Labor

In October, unemployment rate rost to 6.8% from 6.7% the preceding month.

Housing

The outlook for housing remains unchanged when compared to last month's KEDI forecast.

Automobiles

The outlook for light-duty trucks and other vehicles of this category is optimistic with strong market demand to continue.

Budgets

KEDI long-term forecast does not show a balanced Federal budget in the foreseeable future.

Income

Forecast data for this year's corporate after-tax profits calls for a 2.7% decline when compared to 1990.

Money & Credit

Markets for commercial and industrial loans are expected to expand only marginally in 1992 and afterward.

Interest Rates, Yields & Securities Prices

On November 6, the Federal Reserve made a bold move by cutting the discount rate from 5% to 4.5%.

O.02 ASSUMPTIONS

		Update
1.	In 1992, the weighted price of oil will be increasing in small margins	October 1991
2.	Monetary and credit policies are expected to tighten in second half of 1992.	October 1991
3.	In 1992 and 1993 good crops in most of the main producing countries are anticipated.	November 1991
4.	Foreign trade with the USSR, and East Europe will expand in 1992 and following years	July 1991
5.	Average rates of growth in 1990-1995 in major industrial countries are anticipated: West Germany 3.0%; Italy 2.4%; Great Britain 2.7%; France 2.6%; Japan 3.3%; Canada 2.8%.	March 1990
6.	Current developments in East Europe are expected to stimulate the growth of world trade and flows of capital.	Long-term Assumption

O.03 FORECAST HIGHLIGHTS

* Table O.OO on page 3 shows forecast data of selected indicators of the November 1991 KEDI forecast.

*	Growth will resume in the second half of 1991.	September 1991
*	The upward trend will continue throughout the second half of 1991 and 1992.	January 1991
*	Forecast data for 1992 and afterward do not point to recession or major downturn.	January 1991
*	In the second half of 1992 interest rates will be increasing.	October 1991
*	Federal budget deficits will keep declining in 1993 and the following years.	July 1991
*	During the second half of 1992, the export-import gap is expected to be increasingly negative.	October 1991

TABLE 0.00

KEDI FORECAST HIGHLIGHTS

Data for 1991, 1992 and 1993 are on pages indicated below.

Indicator	Unit	1990	1994	1995	1996
Gross national	bil. 82$	4123.9	4502.5	4633.1	4776.7
product, p. 5	% change	1.8	2.8	2.9	3.1
Index of indust.	1977=100	108.3	118.5	122.4	126.6
prod., p. 5	% change	1.4	2.6	3.3	3.4
Capacity	%	82.0	84.2	83.7	83.1
utiliz., p. 5	% change	-.9	.2	-.6	-.8
Unemployment	%	5.5	5.5	83.1	1.2
rate, p. 5	% change	.8	.1	-1.2	-1.1
Private housing	mil.units	1.2	1.3	1.2	1.3
starts, p. 5	% change	-6.3	4.1	-5.8	4.7
Car sales,	mil.units	9.5	10.4	10.7	11.1
p. 5	% change	-5.0	3.2	2.8	4.0
Implicit GNP	1982=100	131.5	153.4	159.1	164.4
price def.,p.11	% change	4.1	3.8	3.7	3.3
Consumer Price	82-84=100	130.7	150.4	155.9	161.8
Index, p. 11	% change	4.8	3.7	3.6	3.8
Prod.Price Index	1982=100	119.4	140.5	146.1	151.8
(fin.goods),p.11	% change	5.1	4.9	4.0	3.9
Federal Deficit	bil. $	-194.6	-112.9	-89.9	-72.9
p. 21	% change	-8.4	-17.9	-20.4	-18.9
Personal Income	bil. $	4645.5	6278.9	6756.1	7310.1
p. 23	% change	6.7	7.8	7.6	8.2
Prime Rate	%	10.0	8.5	9.1	9.8
p. 27	% change	-3.5	-3.6	7.0	8.0
Mortgage Rate	%	9.8	10.1	10.4	10.2
p. 27	% change	-2.4	5.0	2.7	-1.8
Currency+demand	bil. $	811.6	968.7	1021.0	1083.3
deposits , p. 25	% change	3.7	5.0	5.4	6.1
Commercial+ind.	bil. $	577.2	592.8	610.0	624.0
loans, p. 25	% change	3.1	2.7	2.9	2.3
Raw steel	mil.sh.tons	93.1	92.4	93.4	90.2
production	% change	1.3	-.7	1.0	-3.4
Electric power	mil.kw-hr	3072	3176.4	3300.3	3438.9
production	% change	3.0	3.4	3.9	4.2
Bituminous coal	mil.sh.tons	947	956.5	960.3	973.7
production	% change	1.3	1.0	.4	1.4
Crude oil	avg. daily bbl.	2973	3032.5	3062.8	3090.3
output	% change	-.1	2.0	1.0	.9
Retail sales	bil. $	1718.1	2355.3	2522.6	2706.7
p. 7	% change	5.5	7.8	7.1	7.3

Numbers in "% change" rows show percent changes over the previous year.

1.10 REAL GROWTH, CONSUMER SPENDING, AND RETAIL SALES
1.11 REAL GROWTH

See Table 1.11
Page 5

1991
FORECAST
DATA

Percent Change
from
October 1991
Forecast

+	3.77%	Private housing starts
+	.52%	Unemployment
-	.04%	GNP
-	.07%	Index Indust. Prod.
-	.28%	Autos
-	.66%	Capacity Util.

A MIXED BAG OF GOOD AND BAD NEWS SHOWS THAT THE ECONOMY IS STILL STRUGGLING TO RECOVER.

On the positive side, the following points to growth in the future:

* GNP increased in 1991:3 at 2.4% annualized rate
* Construction spending in September increased to an annual rate of $406.5 bil., up 1.1% from $402.1 bil. the month before.
* Productivity in manufacturing rose by 2.4% in 1991:3.
* Consumer spending increased significantly in 1991:3, especially on durables where spending rose for the first time after three quarters of consecutive declines
* Business capital outlays also increased by significant amounts
* Data on construction of single-family housing point to a continuous upward trend
* The outlook for prices on consumer and producer levels indicates that inflation will remain under control

On the negative side indicating the slow pace of recovery, data point to:

* deteriorating foreign trade
* slow growth of retail sales
* marginal declines in unemployment
* persistent problems in cars, airlines, insurance, segments of financial services, and nonresidential construction

The economy is clearly in its recovery stage with forecast data indicating that the recovery will proceed at a slow pace. Growth will accelerate in the second half of 1992 and into 1993.

TABLE 1.11
SELECTED INDICATORS I.
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	GNP	Index of ind. prod.	Unem-ploy ment	Capacity util'n rate	Private housing starts	Auto sales
Unit	$82 bil.	1987=100	%	%	mil.	mil.
Year & Qtr.						
1990*	4157.3	109.2	5.51	82.3	1.193	9.5
1991:1*	4126.5	105.5	6.52	77.9	.915	8.2
2*	4118.9	107.2	6.83	77.8	.998	8.9
3P	4143.1	108.3	6.77	78.7	1.065	8.9
4	4190.4	109.5	6.82	79.9	1.173	9.1
YEAR	4144.7	107.6	6.73	78.6	1.038	8.8
% change from '90	-.3	-1.4	22.2	-4.5	-13.0	-7.6
1992:1	4107.0	110.1	6.67	80.6	1.079	9.0
2	4235.3	111.0	6.32	81.4	1.138	9.7
3	4269.5	111.8	5.98	82.7	1.234	9.8
4	4301.7	112.8	5.72	83.0	1.209	10.1
YEAR	4228.4	111.4	6.17	81.9	1.165	9.7
% change from '91	2.0	3.5	-8.4	4.3	12.3	10.0
1993:1	4334.2	113.9	5.66	83.7	1.178	9.6
2	4362.3	114.6	5.48	84.1	1.257	10.1
3	4392.4	116.3	5.43	84.2	1.312	10.3
4	4430.7	117.2	5.46	84.3	1.265	10.3
YEAR	4379.9	115.5	5.51	84.1	1.253	10.1
% change from '92	3.6	3.7	-10.8	2.6	7.6	4.4

*Historical data.
R = Revised. P = Preliminary.

1.12 CONSUMER SPENDING AND RETAIL SALES

See Table 1.12 - page 7

1991 FORECAST DATA

Percent Change from October 1991 Forecast

+	.58%	Retail Sales Nondurable
-	.26%	Retail Sales Total
-	.28%	Retail Sales Nondurable
-	.37%	Pers. Cons. Expand. Durable
-	.40%	Pers. Con. Expend. Nondurable
-	.48%	Pers. Con. Expend. Services

RECENTLY RELEASED PRELIMINARY DATA ON RETAIL SALES IN OCTOBER SHOW A .1% DECLINE COMPARED TO SEPTEMBER SALES. In September, retail sales rose by .7% over August data.

KEDI forecast for the rest of this year calls for improvement in the total figure of retail sales, especially in December sales. Data for retailers' profits are not encouraging since it is expected that retailers' margins will be under heavy pressure.

Forecast data indicate that retail sales will not be able to raise prices and possibly will have to slash them for many products in order to generate business. It is also expected that Christmas sales will be highly promotional.

Forecast data for 1992 point to strong gains in the durable segment, notably improved sales of motor vehicles, parts, building materials, and household durables.

TABLE 1.12

CONSUMER SPENDING AND RETAIL SALES

Quarterly data are seasonally adjusted at annual rates.

	*--Personal Cons. Expend.-**			------Retail Sales-------*		
INDICATOR	Durables	Nondur-ables	Services	Total	Durables	Nondur-ables
Unit	bil.$	bil.$	bil.$	bil.$	bil.$	bil.$
Year & Qtr.						
1990*	480.3	1193.7	1983.3	1807.2	654.8	1152.5
1991:1*	455.3	1212.7	2074.8	1780.1	663.4	1116.7
2*	453.7	1221.7	2113.6	1817.6	674.2	1143.4
3	467.4	1229.5	2124.9	1829.8	689.7	1140.1
4	492.3	1254.0	2179.2	1886.1	701.5	1184.6
YEAR	467.2	1229.5	2123.1	1828.4	682.2	1146.2
% change from '90	-2.7	3.0	7.1	1.2	4.2	-.5
1992:1	511.3	1267.5	2077.2	1923.3	718.4	1204.9
2	522.4	1280.3	2300.8	1948.1	736.2	1186.5
3	541.6	1305.1	2344.1	2009.4	762.3	1247.1
4	554.2	1320.7	2369.8	2107.4	795.4	1312.0
YEAR	532.4	1293.4	2273.0	1997.0	753.1	1237.6
% change from '91	14.0	5.2	7.1	9.2	10.4	8.0
1993:1	565.2	1400.1	2381.9	2129.1	817.1	1312.0
2	582.4	1404.3	2437.1	2158.9	824.3	1334.6
3	600.2	1401.5	2560.6	2196.7	856.2	1340.5
4	615.8	1428.4	2582.4	2254.9	862.4	1392.5
YEAR	590.9	1408.6	2490.5	2184.9	840.0	1344.9
% change from '92	11.0	8.9	9.6	9.4	11.5	8.7

* Historical data. R = Revised. P = Preliminary.

1.13 REAL GNP

See Table 1.13
Page 9

1991
FORECAST
DATA

Percent Change
from
October 1991
Forecast

+50.65%	Net Exports
+ 1.62%	Gross Private Dom. Invest.
+ .06%	Pers. Cons. Expend.
- .04%	GNP
- .60%	State Local Purch.
- 1.26%	Federal Government Purch.

IN THE THIRD QUARTER OF THIS YEAR, REAL GNP INCREASED AT AN ANNUAL RATE OF 2.4%, OR $24.2 BIL., ACCORDING TO FIRST ESTIMATES RELEASED RECENTLY BY THE U.S. DEPT. OF COMMERCE.

On the positive side are data for:
* consumer spending increased by $24.8 billion.
* producers' durable equipment increased by $15.7 billion
* residential fixed investment increased by $7.3 billion, and
* business inventories declined by $15.1 billion.

Third quarter data on foreign trade have not been encouraging: exports increased only marginally by $.2 billion compared to the $7.1 billion increase in the second quarter. Imports rose by $20.5 billion compared to the increase of $26.6 billion in the second quarter.

TABLE 1.13
REAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*Gross National Product Total	Pers. cons. expend.	Gross pvt.dom. investm.	Net exports	Fed. govt. purch.	State local purch.*
Unit	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.	$82 bil.
Year & qtr.						
1990*	4157.3	2681.6	688.7	-33.8	333.7	477.1
1991:1*	4124.1	2656.8	623.7	7.1	349.5	480.1
2*	4118.9	2681.6	617.6	-12.6	354.2	479.1
3P	4143.1	2696.8	651.2	-32.8	340.8	478.7
4	4190.4	2753.5	636.2	-31.6	352.1	480.2
YEAR	4144.7	2701.4	632.2	-17.5	349.1	479.5
% change from '90	-.3	.7	-8.2	-48.3	4.6	.5
1992:1	4107.0	2659.0	640.4	-33.2	356.1	484.7
2	4235.3	2774.1	645.3	-32.1	360.4	487.6
3	4269.5	2799.6	650.5	-34.6	363.8	490.2
4	4301.7	2811.2	660.1	-36.7	365.4	501.7
YEAR	4228.4	2761.0	649.1	-34.2	361.4	491.1
% change from '91	2.0	2.2	2.7	95.4	3.5	2.4
1993:1	4334.2	2839.7	664.2	-36.9	367.1	500.1
2	4362.3	2847.8	678.5	-37.4	370.2	503.2
3	4392.4	2860.6	686.2	-33.8	373.2	506.2
4	4430.7	2875.1	696.8	-30.7	380.1	509.4
YEAR	4379.9	2855.8	681.4	-34.7	372.6	504.7
% change from '92	3.6	3.4	5.0	1.6	3.1	2.8

*Historical data.
R = Revised. P = Preliminary.

1.20 PRICES AND NOMINAL GNP

1.21 PRICES

See Tables 1.21 - page 11

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+ .71%	Federal Govt. Purch.
+ .44%	State Local Purch.
- .04%	GNP
- .04%	Consumer Price Index
- .06%	Producer Price Index
- .41%	Personal Cons. Expend.

IN OCTOBER, CONSUMER PRICES ADVANCED BY .1%. FOR THE REST OF THIS YEAR AND FOR 1992 FORECAST DATA CALL FOR MARGINAL INCREASES ONLY.

The October increase of .7% of the Producer Price Index (finished goods) is considered temporary.

Forecast data for the balance of this year and 1992 show that moderate upward trends in the consumer and producer price levels will continue in the range of 3-4% annualized. Some acceleration is expected to take place in 1993.

TABLE 1.21
PRICES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	*---Indexes--* Cons. price index n.s.a.**	Prod. price index n.s.a.**	*--------Price deflators---------* Gross Nat'l Prod.	Pers. cons. expend.	Fed. govt. purch.	State local purch.
Unit	1982-84 =100	1982= 100	1982= 100	1982= 100	1982= 100	1982= 100
Year & Qtr.						
1990*	130.7	119.2	131.5	136.4	123.3	141.3
1001:1*	134.8	121.3	134.8	140.5	127.0	145.3
2*	135.4	121.9	136.3	141.4	126.9	146.4
3P	136.2	122.2	136.9	142.0	128.2	148.1
4	137.0	123.5	137.8	142.6	128.3	148.4
YEAR	135.8	122.2	136.5	141.6	127.6	147.1
% change from '90	3.9	2.5	3.8	3.8	3.5	4.1
1992:1	137.9	125.0	139.0	145.0	129.2	149.4
2	138.9	127.0	141.1	147.9	130.8	149.7
3	140.7	128.1	142.2	149.7	131.4	149.9
4	141.9	130.1	143.3	151.0	132.8	151.4
YEAR	139.8	127.5	141.4	148.4	131.1	150.1
% change from '91	2.9	4.4	3.6	4.8	2.7	2.1
1993:1	143.0	131.1	145.0	153.1	133.5	152.8
2	144.2	132.2	146.6	155.3	134.0	154.3
3	146.1	135.3	149.2	159.5	135.0	156.5
4	147.0	137.1	150.5	160.9	136.1	158.0
YEAR	145.1	133.9	147.8	157.2	134.7	155.4
% change from '92	3.7	5.0	4.5	5.9	2.7	3.5

*Historical data. R = Revised. P = Preliminary.
**CPI: All Urban Consumers; PPI: Finished Goods.

1.22 NOMINAL GNP

See Table 1.22 - page 13

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+112.50%	Net Exports
+ 2.14%	Gross Private Dom. Invest.
- .07%	GNP
- .22%	State Local Purch.
- .25%	Personal Cons. Expend.
- 1.76%	Federal Govt. Purch.

THE OCTOBER 29 RELEASE OF DATA BY THE U.S. DEPT. OF COMMERCE FOR NOMINAL GNP ARE ENCOURAGING AND POINT TO GOOD PROSPECTS FOR THE FUTURE:

Personal consumption expenditures increased by $24.8 billion. The increase comprized all three categories: durables, nondurables, and services. Especially important was an increase of $9.06 billion in consumer spending on durables after three quarters of consecutive declines. Another positive feature is spending on residential construction and producers' durable equipment which went up by $7.3 billion and $15.7 billion, respectively.

On the negative side are results of foreign trade: while exports increased only marginally by $.2 billion, imports rose by $20.56 billion, leaving the net exports at an uncomfortably negative heighth.

TABLE 1.22
NOMINAL GNP
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*----------Gross National Product----------					*
	Total	Pers. cons. expend.	Gross pvt. dom invest.	Net exports	Fed. govt. purch.	State local purch.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	5465.1	3657.3	741.0	-31.2	424.0	674.1
1991:1*	5557.5	3742.8	660.0	13.5	443.8	697.7
2*	5612.4	3789.0	654.0	18.1	449.7	701.6
3	5671.9	3852.6	684.8	-11.4	436.9	709.0
4	5774.4	3925.5	694.5	-10.0	451.7	712.6
YEAR	5654.0	3827.5	673.3	2.6	445.5	705.2
% change from '90	3.5	4.7	-9.1	-108.2	5.1	4.6
1992:1	5708.7	3856.0	698.2	-29.7	460.1	724.1
2	5976.0	4103.5	702.6	-31.4	471.4	729.9
3	6071.2	4190.8	705.2	-37.6	478.0	734.8
4	6164.3	4244.7	713.5	-38.7	485.3	759.6
YEAR	5980.1	4098.7	704.9	-34.4	473.7	737.1
% change from '91	5.8	7.1	4.7	-68.2	6.3	4.5
1993:1	6284.6	4347.2	721.4	-38.2	490.1	764.2
2	6395.1	4423.8	738.2	-39.4	496.1	776.4
3	6553.5	4562.3	734.3	-39.2	503.8	792.2
4	6668.2	4626.6	756.5	-37.1	517.3	804.9
YEAR	6475.3	4490.0	737.6	-38.5	501.8	784.4
% change from '92	8.3	9.5	4.6	12.0	5.9	6.4

*Historical data. R = Revised. P = Preliminary.

1.30 EMPLOYMENT AND LABOR

See Table 1.30 - page 15

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
- .67%	Unemployment
+ .02%	Population
+ .02%	Civilian Labor Force
0.00%	Agriculture
- .02%	Total Employed
- .02%	Non Agriculture

IN OCTOBER, UNEMPLOYMENT ROSE TO 6.8% FROM 6.7% THE PRECEDING MONTH. Employment declined in construction, manufacturing, and retailing, but increased in services, notable in health-care and related industries.

Forecast data indicate that the labor market stopped shrinking in the summer and and has expanded in the Fall. In the last quarter of this year, it is expected to continue to expand with more vigorous growth in the number of new jobs in 1992 and thereafter.

Data point to significant declines in unemployment in the single-family segment of construction industry, retail trade, and primary metals. Improvements are expected in transportation, communications, real estate, lumber and products, and stone, clay, and glass industries.

Revisions of employment statistics have brought good news: in September, employment increased by 48 thousand instead of previously reported 24 thousand, and by 112 thousand in August--not the 77 thousand previously reported.

TABLE 1.30
EMPLOYMENT & LABOR
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Population	Civil. labor force	*-------Employment-------* Total	Agri-cult.	Non-agric.	Unem-ployment rate
Unit	mil.	mil.	mil.	mil.	mil.	%
Year & Qtr.						
1990*	260.9	124.8	117.9	3.2	114.7	5.51
1991:1*	264.6	124.0	115.9	3.2	112.7	6.52
2*	264.5	125.1	116.6	3.2	113.4	6.83
3P	265.1	126.4	117.8	3.2	114.6	6.77
4	262.4	127.4	118.7	3.2	114.2	6.82
YEAR	264.1	125.7	117.8	3.2	114.6	6.73
% change from '90	1.2	.7	.7	0.0	-.1	22.2
1992:1	267.3	128.0	119.5	3.2	116.3	6.67
2	268.4	128.8	120.7	3.2	117.5	6.32
3	269.2	129.7	121.9	3.2	118.7	5.98
4	269.2	130.4	122.9	3.2	119.7	5.72
YEAR	268.5	129.2	121.2	3.2	118.0	6.17
% change from '91	1.7	2.8	3.0	0.0	3.0	-8.4
1993:1	269.8	131.4	124.0	3.2	120.8	5.66
2	270.3	132.3	125.0	3.2	121.8	5.48
3	271.2	133.0	125.8	3.2	122.6	5.43
4	272.1	134.3	127.0	3.2	123.8	5.46
YEAR	270.9	132.8	125.4	3.2	122.2	5.51
% change from '92	.9	2.7	3.0	0.0	3.5	-10.77

*Historical data. R = Revised. P = Preliminary.

1.41 HOUSING

See Table 1.41 - Page 17

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+ .35%	Single Family housing starts
+ .33%	Permits issued
+ .17%	1-family housing new
- .04%	1-family housing existing
- .71%	Mobile home shipments
- 2.72%	Multiple Family housing starts

THE OUTLOOK FOR HOUSING REMAINS UNCHANGED WHEN COMPARED TO LAST MONTH'S KEDI FORECAST. An upward trend in single-family housing starts will continue throughout 1992 and into 1993.

In 1992, multi-family housing will continue to be lackluster. A rebound is expected to take place in 1993.

KEDI forecast is more optimistic when compared to that of the Chicago-based National Association of Home Builders (NAHB):

Housing Starts
(mil. units)

	NAHB	KEDI
1990 (actual)	1.193	1.193
1991	below 1 mil.	1.043
1992	1.180	1.225

Recently released data on refinancing of mortgages and home sales indicate that the rebound in housing is on the way and gaining momentum.

TABLE 1.41
HOUSING
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Single family housing starts	Multi-family housing starts	Mobile home shipments	Permits authorized	1-Fam. unit price new**	1-Fam. unit price exist**
Unit	mil.	mil.	mil.	mil.	tho. $	tho. $
Year & Qtr.						
1990*	.895	.298	.188	1.111	156.9	118.5
1991:1	.726	.189	.167	.840	160.6	118.8
2	.863	.167	.170	.964	157.1	119.8
3	.891	.174	.180	1.002	160.2	120.2
4	.952	.221	.186	1.167	173.6	127.0
YEAR	.858	.188	.176	.993	162.9	121.5
% change from '90	-4.1	-37.0	-6.5	-10.6	3.8	2.5
1992:1	.895	.184	.185	.982	170.2	124.0
2	.921	.217	.201	.994	174.8	127.9
3	.994	.240	.211	1.178	180.2	130.1
4	.958	.251	.190	1.078	186.3	132.2
YEAR	.942	.223	.197	1.058	177.9	128.6
% change from '91	9.8	18.8	11.9	6.5	9.2	5.8
1993:1	.924	.254	.196	.981	190.3	134.8
2	.968	.289	.204	.998	193.6	137.3
3	.996	.316	.208	1.157	199.2	138.7
4	.967	.298	.201	1.146	201.4	139.0
YEAR	.964	.289	.202	1.071	196.1	137.4
% change from '92	2.3	29.7	2.8	1.2	10.3	6.9

*Historical data. R = Revised. P = Preliminary.
**Average. Not seasonally adjusted.

1.42 AUTOMOBILES

See Table 1.42 - page 19

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+ 1.92%	Imported Car Sales
0.00%	Dealer Inventory
- .28%	Total Car Sales
- .81%	Shipments
- 1.21%	Domestic Car Sales
- 1.38%	Light Truck Sales

THE OUTLOOK FOR LIGHT-DUTY TRUCKS AND OTHER VEHICLES OF THIS CATEGORY IS OPTIMISTIC. Strong market is expected to continue in 1992 and afterward.

KEDI outlook for car sales calls for 8.7 mil. units, or 7.5% below the 1990 total. Forecast for 1992 looks better: 9.6 mil. units, and 10 mil units in 1993.

Forecast data for car output in 1991:4d show that automakers are still confident in positive f the market for cars in coming months and in 1992. Even though they made some cuts in their plans, they still plan to increase fourth-quarter car and truck production by 15% to 2.5 mil. vehicles, compared to the fourth-quarter output a year ago.

TABLE 1.42
AUTOMOBILES
Quarterly data are seasonally adjusted at annual rates, unless otherwise stated.

INDICATOR	Total car sales	Car sales dom.	Car sales imp.	Dealer car inventory n.s.a. **	Factory car shipments	Total light truck sales
Unit	mil.	mil.	mil.	mil.	mil.	mil.
Year & Qtr.						
1990*	9.5	6.9	2.6	1.4	6.6	3.7
1991:1	8.2	6.0	2.2	1.3	6.0	3.2
2	8.9	6.2	2.7	1.4	6.1	3.5
3	8.9	6.1	2.8	1.4	6.3	3.8
4	9.1	6.2	2.9	1.5	6.2	3.7
YEAR	8.8	6.1	2.6	1.5	6.2	3.5
% change from '90	-7.6	-11.2	1.9	7.1	-6.8	-4.1
1992:1	9.0	6.0	3.0	1.6	6.5	3.8
2	9.7	6.6	3.1	1.6	6.7	4.1
3	9.8	6.6	3.2	1.7	6.7	4.3
4	10.1	6.9	3.2	1.7	6.9	4.1
YEAR	9.7	6.5	3.1	1.7	6.7	4.1
% change from '91	10.0	-8.0	17.9	13.3	8.9	14.8
1993:1	9.6	6.4	3.2	1.7	6.9	4.2
2	10.2	6.8	3.3	1.8	7.0	4.3
3	10.8	7.0	3.3	1.7	7.1	4.6
4	10.7	6.9	3.4	1.8	7.2	4.5
YEAR	10.1	6.8	3.3	1.8	7.0	4.4
% change from '92	4.4	-1.2	5.6	5.9	5.2	8.0

*Historical data. R = Revised. P = Preliminary.
**End of period data.

1.50 BUDGETS

See Table 1.50 - page 21

1991
FORECAST
DATA

Percent Change
from
October 1991
Forecast

- .61%	State Income Tax
- .35%	Federal Surplus Deficit
- .36%	Federal Income Tax
- .95%	State Corporate Tax Accrued
- 1.35%	Corporate Profit Tax Accrued
- 1.72%	State Surplus Deficit

KEDI LONG-TERM FORECAST DOES NOT SHOW A BALANCED FEDERAL BUDGET IN THE FORESEEABLE FUTURE.

In this issue, forecast data on Federal receipts and expenditures do not include impacts of extended unemployment subsidies and tax breaks which are currently discussed in Congress and in the Administration since it is too early to formulate meaningful assumptions on these subjects.

Forecast data on Federal budget deficit, measured on a calendar basis, seasonally adjusted, and in terms of the National Income and Product Accounts Systems, shows the peak of the deficit to be reached in the second quarter of next year.

Data indicate through the end of 1993 the deficit will decline to approximately $100 billion.

TABLE 1.50
FEDERAL, STATE AND LOCAL BUDGETS
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	*-----FEDERAL----------* Income taxes	Corp. profits tax accru.	Surplus /deficit	*---STATE AND LOCAL----* Income taxes	Corp. profits tax accru.	Surplus /deficit
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	492.8	108.5	-166.0	206.6	23.6	35.4
1991:1*	501.3	98.0	-166.9	213.3	20.1	30.0
2P	499.5	96.3	-184.5	217.3	21.0	38.6
3	518.4	97.2	-190.8	219.2	25.7	39.2
4	530.1	104.3	-196.8	223.1	27.1	40.8
YEAR	512.3	99.0	-184.8	218.2	23.5	37.1
% change from '90	4.0	-8.8	11.3	5.6	-.5	4.9
1992:1	549.8	106.2	-198.7	229.8	28.3	41.1
2	560.2	110.7	-199.6	234.9	29.2	43.2
3	571.7	117.3	-188.3	242.3	31.4	43.7
4	582.6	121.2	-169.2	250.7	33.8	44.3
YEAR	566.1	113.8	-188.9	239.4	30.7	43.1
% change from '91	10.5	15.1	2.3	9.7	30.7	15.9
1993:1	596.3	123.6	-158.7	260.3	34.4	45.5
2	603.2	135.2	-148.4	267.2	35.0	46.2
3	614.5	134.1	-128.2	276.5	36.1	48.2
4	619.7	138.5	-114.9	281.4	37.6	50.8
YEAR	608.4	132.8	-137.6	271.4	35.8	47.7
% change from '92	7.5	16.7	-27.2	13.3	16.6	10.7

*Historical data. R = Revised. P = Preliminary.

1.60 INCOME

See Table 1.60 - page 23

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+ .08%	Average Weekly Savings
- .01%	Comp. of Employees
- .39%	Personal Income
- .45%	Personal Disp. Income
- 2.05%	Corporate After Tax Profit
- 4.84%	Personal Savings

FORECAST DATA FOR THIS YEAR'S CORPORATE AFTER-TAX PROFITS CALLS FOR A 2.7% DECLINE WHEN COMPARED TO 1990.

In 1992, after-tax profits are expected to increase by 12.8%. and by 9.7% in 1993.

Data for next year point to the following industries and segments with largest profits: semiconductors, aerospace, medicals and biotechnology, food production, office equipment, factory equipment, and oil field equipment.

On the other side of the coin, industries and segments with largest losses are predicted to be: transportation equipment, forest products, airlines, communications (domestic segment), and apartments construction.

Data on personal income point to moderate increases in most components throughout the forecast period. Interest receipts are the main component that shows declines in the rest of this year and in 1992.

TABLE 1.60
INCOME
Quarterly data are seasonally adjusted at annual rates.

INDICATOR	Pers. income	Pers. disp. income	Comp. of empl.	Corp. after tax profits	Pers. saving	Avg. week earn.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	$
Year & Qtr.						
1990*	4645.5	3946.1	3309.7	172.5	180.1	443.5
1991:1*	4626.1	3911.5	3438.1	166.4	168.7	449.1
2*	4676.0	3959.2	3462.5	160.1	170.2	456.3
3P	4747.9	4010.3	3478.2	162.2	157.7	463.7
4	4849.0	4095.8	3560.2	170.3	170.3	464.0
YEAR	4724.8	3994.2	3484.8	164.8	166.7	458.3
% change from '90	1.7	1.2	5.3	-4.5	-7.4	3.3
1992:1	5025.4	4245.8	3647.2	173.1	180.1	469.2
2	5297.4	4502.3	3720.4	178.7	187.2	473.2
3	5419.2	4605.2	3809.2	190.1	200.1	476.4
4	5504.6	4671.3	3902.4	192.3	208.5	483.1
YEAR	5311.6	4506.1	3769.8	183.6	194.0	475.5
% change from '91	12.4	12.8	8.2	11.4	16.3	3.8
1993:1	5639.2	4782.6	4007.6	196.4	212.2	485.4
2	5741.4	4871.0	4090.3	201.2	221.6	488.7
3	5914.4	5023.4	4123.2	204.6	232.2	491.2
4	6003.4	5102.3	4181.7	208.2	243.3	492.4
YEAR	5824.6	4944.8	4100.7	202.6	227.3	489.4
% change from '92	9.7	9.7	8.8	10.4	17.2	2.9

*Historical data. R = Revised. P = Preliminary.

1.70 MONEY AND CREDIT

See Table 17.0 - page 25

1991
FORECAST
DATA

Percent Change from October 1991 Forecast	
+ 7.07%	Mortg. at all holders
+ 1.52%	Consumer demand deposits
+ 1.11%	Large denom. time deposits
+ .02%	Consumer industrial loans
- 1.03%	Time deposits
- 4.14%	Consumer Install. Credit

MARKETS FOR COMMERCIAL AND INDUSTRIAL LOANS ARE EXPECTED TO EXPAND ONLY MARGINALLY IN 1992 AND AFTERWARD. Forecast data point to a vigorous expansion of corporate bonds markets in the second half of the 1992 and 1993.

Forecast data for money supply, M1, point to significant increases in the first half of 1992 and slowing down in growth afterward. Growth of money supply, M2, is expected to continue at slow rates.

Data indicate that the volume of consumer credit outstanding will stop contracting in the last quarter of this year.

The fastest growing financial market is expected to be in Federal Government securities due to continuous heavy borrowing to cover Federal budget deficits.

TABLE 1.70
MONEY & CREDIT

Data for "Currency and demand deposits, M1", and "Time deposits, adjusted, M2" are averages of daily figures; other data are end of period figures.

INDICATOR	Currency and demand deposits M1, s.a.	Time deposit adjust. M2,s.a.	Cons. instal. credit n.s.a. **	Comm.& indus. loans at banks s.a.	Large denom. time dep. s.a.	Mortg. at all holders ** n.s.a.
Unit	bil. $	bil. $	bil. $	bil. $	bil. $	bil. $
Year & Qtr.						
1990*	812.2	3293.2	735.1	577.2	533.9	3856.2
1991:1*	830.2	3371.6	732.4	578.1	536.0	3883.7
2*	851.2	3385.4	730.6	580.9	541.4	3895.2
3P	863.5	3392.2	730.1	581.4	542.6	4000.3
4	872.3	3408.7	738.2	582.2	546.0	4046.7
YEAR	854.3	3389.5	738.2	582.2	546.0	4046.7
% change from '90	5.2	2.9	.4	5.3	2.3	4.9
1992:1	880.5	3440.2	742.6	585.2	552.4	4090.5
2	895.3	3485.4	748.2	590.6	568.3	4167.7
3	901.2	3538.4	755.3	596.4	570.4	4229.3
4	908.8	3601.2	760.2	602.7	572.6	4259.2
YEAR	896.5	3516.3	760.2	602.7	572.6	4255.2
% change from '91	4.9	3.7	3.0	3.5	4.9	5.2
1993:1	913.1	3666.4	783.7	610.4	581.5	4305.6
2	918.3	3721.2	788.5	612.3	600.2	4356.2
3	927.4	3798.5	798.9	618.3	603.9	4403.1
4	931.5	3861.5	808.6	626.7	606.3	4478.5
YEAR	922.6	3761.9	808.6	626.7	606.3	4478.5
% change from '92	2.9	7.0	6.4	4.0	5.9	5.2

*Historical data. n.s.a: not seasonally adjusted.
s.a.: seasonally adjusted at annual rates.
R = Revised. P = Preliminary.

1.80 INTEREST RATES, YIELDS, AND SECURITIES PRICES

See Table 1.80 - page 27

1991
FORECAST
DATA

Percent Change
from
October 1991
Forecast

+	.33%	S & P's 500 Avg.
	0.00%	Treasury bills 3 mo. yield
-	.06%	Aaa Corp. bonds
-	.50%	Prime rate
-	.71%	Conv. morgt. rate
-	3.21%	30 year govt. bond yield

ON NOVEMBER 6, THE FEDERAL RESERVE MADE ITS BOLDEST BID SINCE FEBRUARY BY CUTTING THE DISCOUNT RATE FROM 5% TO 4.5% AND THE FEDERAL FUNDS RATE FROM 5.25% TO 5.0% AND LATER ON, TO 4.75%.

Banks responded briskly by cutting the prime rate to 7.5%. KEDI did not anticipate this drop.

Forecast data which include the Fed's interest rates reduction indicate that the major positive effect is expected to be felt in the market for mortgages and in residential housing. Data also indicate that low interest rates will only marginally stimulate the additional debt-financed spending by consumers, and the lending activities of banks. Another positive effect is expected to be in securities markets.

Forecast data point to additional increases in stock and bond markets. The negative impact of low interest rates is seen in the area of international finance. It is not expected that other industrially-strong countries like the UK, Germany, and Japan will follow the U.S. lead by reducing their interest rates. That may result in significant outflows of capital from the U.S. markets.

TABLE 1.80
INTEREST RATES, YIELDS & SECURITIES PRICES
Quarterly averages of monthly figures.

INDICATOR	Treas. bills 3 mo. yield	Prime rate	Conv. mortg rate	Aaa corp. bond rate	30 yr. Govt. bonds yield	S & P's 500 Avg 1941-43 = 10
Unit	%	%	%	%	%	
Year & Qtr.						
1990*	7.51	10.00	9.78	9.32	8.55	334.59
1991:1*	5.97	8.84	9.34	8.80	8.19	370.72
2*	5.59	8.50	9.31	8.62	8.39	379.70
3	5.21	8.43	9.06	8.61	8.14	389.53
4	5.11	7.82	8.87	8.67	7.84	393.90
YEAR	5.47	8.40	9.14	8.68	8.14	383.46
% change from '90	-27.2	-16.0	-6.5	-6.9	-4.8	14.6
1992:1	5.04	7.50	8.89	8.74	7.72	396.78
2	5.21	7.64	9.08	8.81	7.80	399.28
3	5.37	8.04	9.22	9.03	7.87	405.45
4	5.49	8.11	9.40	9.17	8.14	411.54
YEAR	5.28	7.82	9.15	8.94	7.88	403.26
% change from '91	-3.5	-6.8	.0	3.0	-3.2	5.2
1993:1	6.04	8.39	9.51	9.26	8.15	410.66
2	6.52	8.75	9.62	9.34	8.21	412.33
3	6.79	8.84	9.63	9.30	8.08	414.72
4	6.88	9.16	9.75	9.29	8.04	410.24
YEAR	6.56	8.79	9.63	9.30	8.12	411.99
% change from '92	24.3	12.3	5.2	4.0	3.0	2.2

*Historical data. R = Revised. P = Preliminary.

2.0 COMPARISONS OF ACCURACY OF PREDICTIONS

In this issue Aaa Corporate Bond rate (%) has been selected for comparison. Forecast data have been published in The Journal of Business Forecasting Methods & Systems, Winter 1989-90, pp. 39 and 41. Actual figure is the three-month average of data in the Federal Reserve Bulletin, April 1991 issue, blue pages.

TABLE 2.0

COMPARISONS OF ACCURACY OF PREDICTIONS
Aaa Corporate Bond rate (%)
Actual figure: 9.3

Forecaster	Date of Forecast	Forecast	Accuracy %
Core State Financial Corp, PA	12/89	8.8	- 5.4
Ameritrust, OH	12/89	10.0	+ 7.5
First National of Chicago, IL	12/89	11.0	+18.3
First Interstate Bank Corp., Los Angeles, CA	12/89	9.5	+ 2.2
Manufacturers Hanover Trust, NY	12/89	8.0	-14.0
National City Bank, OH	12/89	9.8	+ 5.4
Shawmut of Boston, MA	12/89	9.6	+ 3.2
Valley National Bank, AR	12/89	10.3	+10.7
Metropolitan Life, NY	12/89	10.6	+14.0
Shearson Lehman, NY	12/89	8.9	- 4.3
K.E.D.I., Inc, OH	12/89	10.1	+ 8.6
Equitable Life, NY	12/89	9.4	+ 1.1
First Pennsylvania, PA	12/89	10.3	+10.7
J. Hancock, MA	12/89	9.2	- 1.1

3.00 HISTORICAL DATA SOURCES

For reader's convenience listed below are sources of historical data series for the forecasts appearing in the Survey. The first column of the following table refers to the table in this Survey, the second column to the name of forecast series, and the third column identifies the source of historical data. The sources are: **Survey of Current Business** referred to as SCB (monthly, U. S. Department of Commerce, Washington, D.C.), **Federal Reserve Bulletin,** FRB, (Board of Governors of the Federal Reserve System, Washington, D.C. monthly), **Index of Industrial Production,** G.87.3 Release, IIP, (Board of Governors of the Federal Reserve System, Washington, D.C., monthly.)

TABLE 3.00

HISTORICAL DATA SOURCES

Table Number	Data Series	Source
1.11 Selected Indicators of Real Growth I.	Gross national product, 1982 $	SCB, Table 1.2
	Index of industrial production	IIP, p. 2.
	Unemployment rate	SCB, Blue pages
	Capacity utilization rate	FRB, Table 2.11
	Private housing starts	SCB, Blue pages
	Car sales	SCB, Blue pages
1.87 Selected Indicators of Real Growth II.	Personal Cons. expend: Durables,	SCB, Table 1.1
	Nondurables	SCB, Table 1.1
	Services	SCB, Table 1.1
	Retail sales: Total	SCB, Blue pages
	Durables	SCB, Blue pages
	Nondurables	SCB, Blue pages
1.87 Real GNP	Gross national product, 1982 $	SCB, Table 1.2
	Personal consumpt. expenditures	SCB, Table 1.2
	Gross private dom. investment	SCB, Table 1.2
	Net exports	SCB, Table 1.2
	Federal purchases	SCB, Table 1.2
	State and local purchases	SCB, Table 1.2
1.21 Prices	Consumer price index	SCB, Blue pages
	Producer price index	SCB, Blue pages
	Implicit price deflators: GNP	SCB, Table 7.1
	Personal consumpt. expenditures	SCB, Table 7.1
	Federal purchases	SCB, Table 7.1
	State and local purchases	SCB, Table 7.1
1.22 Nominal GNP	Gross national product	SCB, Table 1.1
	Personal consumpt. expenditures	SCB, Table 1.1
	Gross private dom. investment	SCB, Table 1.1
	Net exports	SCB, Table 1.1
	Federal purchases	SCB, Table 1.1
	State and local purchases	SCB, Table 1.1

(Table 3.00 continues on the following page.)

TABLE 3.00

HISTORICAL DATA SOURCES (CONTINUED)

Table Number	Data Series	Source
1.30 Employ-ment and Labor	Population	SCB, Blue pages
	Civilian labor force	SCB, Blue pages
	Employment	SCB, Blue pages
	Agriculture	SCB, Blue pages
	Non-agriculture	SCB, Blue pages
	Unemployment rate	SCB, Blue pages
1.41 Housing	Single-family housing starts	SCB, Blue pages
	Multifamily housing starts	SCB, Blue pages
	Mobile home shipments	SCB, Blue pages
	Permits authorized	SCB, Blue pages
	1-family unit price, new	FRB, Table 2.14
	1-family unit price, existing	FRB, Table 2.14
1.42 Autos	Passenger cars: Total sales	SCB, Blue pages
	Domestic	SCB, Blue pages
	Imported	SCB, Blue pages
	Dealers inventories	SCB, Blue pages
	Factory shipments	SCB, Blue pages
	Light-duty truck sales	SCB, Blue pages
1.50 Federal State & Local Budgets	Federal govt: Income taxes	SCB, Table 3.2
	Corporate profit tax accruals	SCB, Table 3.2
	Surplus/Deficit	SCB, Table 3.2
	State & local govt:Income taxes	SCG, Table 3.3
	Corporate profit tax accruals	SCG, Table 3.3
	Surplus/Deficit	SCB, Table 3.3
1.60 Income	Personal income	SCB, Table 2.1
	Personal disposable income	SCB, Table 2.1
	Compensation of employees	SCB, Table 1.11
	Corporate after tax profits	SCB, Table 1.11
	Personal saving	SCB, Table 2.1
	Average weekly earnings	SCB, Blue pages
1.70 Money and Credit	Currency and demand deposits, M1	FRB, Table 1.21
	Time deposits, adjusted, M2	FRB, Table 1.21
	Consumer installment credit	FRB, Table 1.55
	Commercial and industrial loans	FRB, Table 1.23
	Large denomination time deposits	FRB, Table 1.21
	Mortgages at S&L Associations	FRB, Table 1.54
1.80 Interest Rates, Yields, & Securities Prices	Treasury bills (3 mo) yield	FRB, Table 1.35
	Prime rate	FRB, Table 1.33
	Conventional mortgage rate	FRB, Table 1.53
	Aaa corporate bonds rate	FRB, Table 1.35
	20 years government bonds yield	FRB, Table 1.35
	Standard & Poor's 500 average	FRB, Table 1.36